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Northcote Energy Limited
30 September 2014

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30 September 2014

Northcote Energy Ltd ('Northcote' or 'the Company')

Interim Results

Northcote (AIM: NCT) is pleased to announce its interim results for the six month period ended 30 June 2014.

Overview

- Solid progress made to increase current and long term production profile across US onshore oil and gas portfolio - currently 190.9 BOEPD
- Acquisition of Shoats Creek project, completed August 2014 - workovers completed post period end have been highly successful, underpinning the Company's belief it could be a company-maker
- Completed four recompletions of existing well bores at Zink Ranch - initial production at the first of these successfully increased production and following this, infrastructure upgrades were effectively implemented
- Flexible business model demonstrated through re-focus of resources to Shoats Creek, where the Company is operator, to strengthen production
- De-risked entry into significant hydrocarbon potential in Mexico through strategic agreement with AIM listed MX Oil plc

Northcote Managing Director Randall Connally said, "So far 2014 has been a great year for the Company having closed the acquisition of Shoats Creek in August 2014 and rapidly commenced the work programme at this exciting project. Additionally we are very proud of Northcote's involvement with MX Oil plc and the upside that offers Northcote shareholders going forward. However, the Company did face a number of operational challenges in Oklahoma at the start of the period. We were delayed in initiating our 2014 work programme due to the severe winter weather in Oklahoma and the U.S. generally. Operational problems at the 'OKE', Libby and Tinker leases were not resolved until well into the second half of 2014; transitional issues related to infrastructure at Zink Ranch resulted in significantly lower production from this asset than expected in the first half of 2014. Finally, a number of wells at Horizon were offline for routine workover related issues. I am pleased to say that all of these issues were either addressed late in the first half or early in the second half of the year and we are now benefitting from production from all of these assets at daily rates substantially in excess of the average rate during the first half of 2014.

"The positive cash flow impact of all of our properties being able to produce at or near full capacity has given us the boost to aggressively start development activities at Shoats Creek."

CHAIRMAN'S STATEMENT

Northcote has made some significant gains during the period under review including, most notably, the acquisition of the Shoat's Creek project, which we believe has the potential to be a major asset for us. However, we have also encountered various operational challenges and, accordingly, we have made further significant investments in our operational capacity. We are starting to see the fruits of these investments in the excellent performance of the Shoats Creek field in Louisiana. We expect to make further operational gains in the forthcoming year as we apply this capacity across the portfolio.

Northcote seeks to operate its assets and actively manage the portfolio by farming out interests on promoted terms. This enables us to improve our economics and control our costs and future development path. This strategy is reflected in the acquisition of Shoats Creek which is operated by Northcote and in which we have a 35% working interest. The asset comprises 1,670 acres targeting the producing Frio and Cockfield zones. The presence of multiple pay zones and the ability to immediately maximise production from existing well bores fuelled our excitement regarding the project and since completing the acquisition in August 2014, we have undertaken workovers to immediately increase production. To date, the results of the first two workovers have been released, and we are delighted with the effect our work has had on production. The speed with which we have commenced our development programme at Shoats Creek is a testament to the quality of our team. A new well has also been permitted and we look forward to unlocking some of the substantial reserves at the licence.

Our portfolio has grown dramatically since listing less than 2 years ago and we now have interests in 9 properties which cover 6,159 net acres in Louisiana, Oklahoma and Texas. We recently announced that we have entered into an agreement to acquire a 37.5% WI in the Alta Loma project in Galveston County, Texas, and further updates will be made with respect to this at the appropriate time. We have increased the number of producing wells across our portfolio by 300% to 40 since we IPO'd in January 2013 and the number of development opportunities has grown enormously.

At the beginning of the year we outlined our 2014 work programme. Shoats Creek was not included in our asset base at this point in time and we envisaged that the majority of the work would take place at our Glenn Supply-operated Zink Ranch project. However, having now acquired Shoats Creek where we believe the prospects are excellent, we have decided to deploy a greater proportion of our resources and capital on this asset. The work outlined previously is a result of this and we anticipate that Shoats Creek will be our core focus in the months ahead. During this time, we will continue to work our Oklahoma assets to maximise cashflows from existing production. However, in the near term, expenditure on new projects in Oklahoma will be reduced whilst we refine operations.

Aside from our US operations, a key milestone achieved during the period was our entry into the Mexican energy sector by way of a strategic agreement with MX Oil plc, a company focussed on exploring investment opportunities in Mexico's energy industry. We have been tracking reforms across the Mexican energy sector for some time now, particularly given our network of influential contacts in the country and sector. While the Company remains focussed on the development of its core onshore US asset base, this agreement provides Northcote shareholders with material exposure to potentially value accretive opportunities in the de-regulated Mexican oil and gas market, without having to absorb certain overheads and other associated costs. In return for our consultancy services, which have already facilitated the formation of a joint venture between MX Oil and Mexican oil and gas services company, Geo Estratos S.A. de C.V. ('GEO'), Northcote shall have the right to participate with MX Oil, on an unpromoted basis, as a partner in the exploration, drilling, development or production of any of its oil and gas projects in Mexico for a period of ten years. GEO and MX Oil shall together evaluate, explore, develop, and produce hydrocarbons in Mexico. Pursuant to this right, Northcote shall be permitted to participate at a level of up to 20% of the interest of MX Oil in any project for the drilling, exploration, development or production of oil and gas in Mexico. Warrants in MXO will also be issued on a phased basis, providing our shareholders with upside to successful value creation by MX Oil and through our right to appoint a representative to the MX Oil Board, we will have the ability to control our interest on a daily basis. I view this as a unique and attractive arrangement for Northcote and we will continue to evaluate further synergistic and de-risked opportunities in additional emerging markets so that we may capitalise on the extensive network built by our management team.

Financial Overview

During the period we improved the economics of our Zink Ranch interest by acquiring a significant revenue interest for additional consideration of $750,000 and we also farmed out a 30% interest to North American Petroleum. The proceeds from the farm-in have been applied towards the work programme at that property.

Furthermore since the period end the Group has acquired its interest in the Shoats Creek project through the issue of 22,875,817 ordinary shares in the Company and a production payment obligation that will be paid out of future net oil and gas production at Shoats Creek.

In anticipation of the acquisition of Shoats Creek and our enlarged portfolio in Oklahoma the Group continued to invest in its people capital with our headcount increasing to 10 staff members from 5 at IPO nearly 2 years ago. This has translated into a significantly enhanced operating capability, which has allowed us to hit the Ground running at our newly acquired and operated Shoats Creek property. Prior to the completion of the Shoats acquisition, Northcote was operator of 2 of its properties, OKE (Libby Tinker) and East Blackwell, and our team is well positioned to continue to increase the number of projects under Northcote's operatorship, meaning that their cost is spread over a larger number of properties.

The benefits of operating more of our projects will come in the form of having a greater ability to control our costs and also the ability to charge our non-operated partners for our services as operator. The results for this period do not yet fully show the impact of this benefit as there is a delay between making the initial investment in our team and our ability to put our operating capability to use.

Furthermore the Group's corporate activity in the period included the significant due diligence work in connection with the acquisition of Shoats Creek and the ongoing development of our Mexico transaction, which lead to an increase in the amount paid to consultants and other one-off suppliers, which are included in our administrative expenses for the period.

Our increased overhead has impacted our financials and accordingly we are reporting a gross loss for the period of $1,791,000 (2013:$2,183,000). As we continue to execute on our strategy to increase revenues across our portfolio and to operate more of our projects we can expect our financials to show continued improvement over the coming months and years. In addition the loss included non-cash share based payments of $67,000 (2013: $64,000) and non-cash interest charge of $127,000 ($Nil).

During the period the Group entered into a convertible loan note with Darwin Strategic Limited, the proceeds of which were immediately put to use to acquire the Group's Zink Ranch project and to finance the Groups operations. One of our strategic goals continues to be to reduce our reliance on equity finance wherever possible and the Company is looking forward to when it will be able to report that it is operationally cash flow positive and that it has acheived its strategic objective of obtaining a commercial bank debt facility.

Outlook

Thanks to the progress made during the period under review, Northcote has a bolstered portfolio of US onshore leases with multiple development opportunities to build value, and exposure to the highly exciting and emerging oil and gas sector in Mexico. Total net production as at the date of this report stands at 190.9 BOEPD which generates meaningful revenues that are reinvested into further development of our portfolio. Although production is lower than hoped at this point in time, we have recognised the causal issues and are making strides to address these so that we may demonstrate the strength of our operational capabilities in the same way that we have proven our ability to acquire highly prospective assets with multiple low cost value adding opportunities. We are focussed on increasing the commerciality of our individual assets, and in the process monetise the inherent value of our portfolio and generate substantial value for our shareholders.

I would like to take this opportunity to thank shareholders, the Northcote team, and its advisers for their support during the period and I look forward to providing regular updates regarding our progress going forward.

Ross Warner

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Consolidated statement of comprehensive loss

	Six months ended 30 June 2014 (unaudited) US$'000s	Year ended 31 December 2013 (audited) US$'000s	Six months ended 30 June 2013 (unaudited) US$'000s
Revenue	**783**	989	360
Cost of sales	**(720)**	(793)	(234)
Gross profit	**63**	196	126
Administrative expenses			
- Impairment of goodwill	**-**	1,273	1,273
- Reverse acquisition/ IPO costs	**-**	333	-
- Other administrative expenses	**1,727**	2,234	1,133
Total administrative expenses	**(1,727)**	(3,840)	(2,406)
Operating loss	**(1,664)**	(3,644)	(2,280)
Finance income	**-**	1	125
Finance costs	**(127)**	(112)	(28)
Loss before tax	**(1,791)**	(3,755)	(2,183)
Income tax expense	**-**	-	-
Loss after tax attributable to equity holders of the parent	**(1,791)**	(3,755)	(2,183)
Other Comprehensive Income: Exchange differences arising on translating foreign operations which can be subsequently recycled to profit and loss	**(118)**	(7)	(166)
Total comprehensive loss for the period attributable to equity holders of the parent	**(1,909)**	(3,762)	(2,349)
Weighted average number of shares	**1,238,066,657**	988,938,360	874,756,198
Basic and diluted loss per share	**($0.14 cents)**	($0.38 cents)	($0.25 cents)

Consolidated statement of financial position

	30 June 2014 (unaudited) US$'000s	31 December 2013 (audited) US$'000s	30 June 2013 (unaudited) US$'000s
Assets			
Non-current assets			
Intangible assets	**735**	735	735
Property, plant and equipment	**7,021**	6,786	4,895
Total non-current assets	**7,756**	7,521	5,630
Current assets			
Inventories	**57**	31	-
Trade and other receivables	**702**	793	241
Cash and cash equivalents	**323**	319	1,420
Total current assets	**1,082**	1,143	1,661
Total assets	**8,838**	8,664	7,291
Liabilities			
Non-current liabilities			
Financial liabilities	**-**	-	50
Provisions	**198**	195	72
Total non-current liabilities	**(198)**	(195)	(122)
Current liabilities			
Trade and other payables	**721**	148	323
Financial liabilities	**1,576**	-	343
Provisions	**-**	273	128
Total current liabilities	**(2,297)**	(421)	(794)
Total liabilities	**(2,495)**	(616)	(916)
Net assets	**6,343**	8,048	6,375
Capital and reserves			
Share premium	**20,420**	20,420	15,588
Shares to be issued	**-**	-	1,888
Foreign currency translation reserve	**(148)**	(30)	(189)
Reverse acquisition reserve	**(8,202)**	(8,202)	(8,202)
Accumulated loss	**(5,727)**	(4,140)	(2,710)
Total equity	**6,343**	8,048	6,375

Consolidated statement of changes in equity

	Share capital US$'000s	Share premium US$'000s	Shares to be issued US$'000s	Foreign currency translation reserve US$'000s	Reverse acquisition reserve US$'000s	Accumulated loss US$'000s	Total equity US$'000s
Balance at 1 January 2013	38	1,421	-	(23)	-	(742)	694
Total comprehensive loss for the period	-	-	-	(166)	-	(2,183)	(2,349)
Issue of shares	-	15,014	1,888	-	-	-	16,902
Conversion of debt to equity	-	250	-	-	-	-	250
Share issue costs	-	(443)	-	-	-	-	(443)
Reverse acquisition adjustment	(38)	(503)	-	-	(8,202)	-	(8,743)
Share options issued	-	-	-	-	-	60	60
Share warrants issued	-	(151)	-	-	-	155	4
Balance at 30 June 2013 (unaudited)	**-**	**15,588**	**1,888**	**(189)**	**(8,202)**	**(2,710)**	**6,375**
Total comprehensive loss for the period	-	-	-	159	-	(1,572)	(1,413)
Issue of shares	-	4,992	(1,888)	-	-	-	3,104
Share issue costs	-	(153)	-	-	-	-	(153)
Share options issued	-	-	-	-	-	134	134
Share warrants issued	-	(7)	-	-	-	8	1
Balance at 31 December 2013 (audited)	**-**	**20,420**	**-**	**(30)**	**(8,202)**	**(4,140)**	**8,048**
Total comprehensive loss for the period	-	-	-	(118)	-	(1,791)	(1,909)
Share options issued	-	-	-	-	-	67	67
Share warrants issued	-	-	-	-	-	137	137
Balance at 30 June 2014 (unaudited)	**-**	**20,420**	**-**	**(148)**	**(8,202)**	**(5,727)**	**6,343**

Consolidated statement of cash flows

	Six months ended 30 June 2014 (unaudited)	Year ended 31 December 2013 (audited)	Six months ended 30 June 2013 (unaudited)
	US$'000s	US$'000s	US$'000s
Cash flows from operating activities:			
Net loss for the period / year	**(1,791)**	(3,755)	(2,183)
Items not involving cash:			
Depreciation of property, plant and equipment	**75**	75	24
Impairment of goodwill	**-**	1,273	1,273
Share-based payment expense	**67**	194	64
Finance cost	**127**	112	28
Finance income	**-**	(1)	(124)
Change in working capital items:			
Increase in inventories	**(26)**	(31)	-
Increase in receivables	**(57)**	(223)	(90)
Increase in trade and other payables and provisions	**203**	67	1
Net cash used in operations	**(1,402)**	(2,289)	(1,008)
Cash flows from investing activities			
Acquisition of subsidiary (net of cash)	**-**	(447)	(447)
Purchases of property, plant and equipment	**(1,060)**	(3,389)	(1,826)
Receipts for farm-in/disposals	**750**	-	-
Payments to acquire intangible assets	**-**	(17)	(325)
Loans granted to related parties	**-**	(459)	-
Proceeds from related parties	**148**	-	-
Interest received	**-**	1	3
Net Cash acquired on reverse acquisition/acquisitions	**-**	574	574
Net cash used in investing activities	**(162)**	(3,737)	(2,021)
Cash flows from financing activities			
Proceeds from issue of share capital	**-**	7,754	5,243
Share issue costs	**-**	(596)	(442)
Proceeds from borrowing	**1,737**	350	363
Costs of issue	**(150)**	-	-
Repayments of loans	**-**	(1,068)	(696)
Loan and bank interest paid	**-**	(33)	(30)
Net cash generated by financing activities	**1,587**	6,407	4,438
Net increase in cash and cash equivalents	**23**	381	1,409
Cash and cash equivalents, beginning of period / year	**319**	11	11
Effect of foreign exchange rate changes	**(19)**	(73)	-
Cash and cash equivalents, end of period / year	**323**	319	1,420

Notes to the Financial Statements

1. Basis of presentation

Northcote Energy Ltd (the "Company") is presenting unaudited financial statements as of and for the six months ended 30 June 2014. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 comprise the result of the Company and its subsidiaries (together referred to as the "Group").

The condensed interim financial information for the period 1 January 2014 to 30 June 2014 is unaudited. The comparatives for the full year ended 31 December 2013 are not the Company's full statutory accounts for that year. The auditor's report on those financial statements was unqualified. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 Annual Report.

The financial information contained in this interim report does not constitute statutory accounts, which are available from the companies website www.northcoteenergy.com. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated interim financial statements have been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 31 December 2014.

The same accounting policies, presentation and methods of computation are followed in the interim consolidated financial statements as were applied in the Group's latest annual audited financial statements except that in the current financial year, the Group has adopted a number of revised Standards and Interpretations. However, none of these has had a material impact on the Group's reporting. In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

The interim consolidated financial statements were approved by the board and authorised for issue on 29 September 2014.

1.1. Going concern

The Group has ambitious plans and the Board recognises that further funds will be required in order to fully realise its ambitions. The Group has a track record of showing that it uses a variety of options at its disposal in funding its commitments, whether it is through operational cash flow, new equity, debt, farm-ins and disposals. The Board is confident that capital will be available to allow it to fully realise its strategic goals and that the Company will have the necessary resources available for the Company to fully finance its future working capital and discretionary capital expenditures beyond the period of 12 months of the date of this report. Accordingly these interim financial statements have been prepared on a going concern basis.

2. Segmental analysis

In the opinion of the Directors, the operations of the Group comprise one single operating segment comprising exploration, production, development and sale of hydrocarbons and related activities. The Group operates in one geographic area, USA. The Group has head office operations in the UK but the quantitative thresholds of IFRS 8 are only met for the USA, which is therefore the Group's one reportable segment and the Directors consider that the primary financial statements presented substantially reflect all the activities of this single operating segment.

3. Share based payment

The following is a summary of the share options and warrants outstanding and exercisable as at 30 June 2014, 31 December 2013 and 30 June 2013and changes during the period:

	Number of options	Weighted average exercise price (Pence)
Options and warrants at 1 Jan 2013	**-**	**-**
Warrants in Northcote Energy Ltd at acquisition	**1,000,000**	**1.00**
Warrants granted post acquisition	**20,669,046**	**1.15**
Options granted to Directors	**49,000,000**	**2.46**
Options and warrants at 30 Jun 2013 and 31 Dec 2013	**70,669,046**	**2.06**
Warrants granted post acquisition	**54,545,455**	**1.10**
Options and warrants at 30 Jun 2014	**125,214,501**	**1.64**

At 30 June 2014 the following share options or warrants were outstanding in respect of the ordinary shares:

Grant Date	Expiry Date	At 01.01.13	Issued in period	At 30.06.13 and 31.12.13	Issued in period	At 30.06.14	Exercise Price	Exercisable at 30.06.14	Exercisable at 31.12.13	Exercisable at 30.06.13
			000's	000's	000's	000's		000's	000's	000's
14.01.13	14.01.16	-	1,000	1,000	-	1,000	1.00p	1,000	1,000	1,000
14.01.13	14.01.16	-	14,669	14,669	-	14,669	1.00p	14,669	14,669	14,669
22.03.13	22.03.16	-	6,000	6,000	-	6,000	1.50p	6,000	6,000	6,000
03.04.13	03.04.18	-	14,000	14,000	-	14,000	1.75p[1]	14,000	14,000	-
03.04.13	03.04.18	-	17,500	17,500	-	17,500	2.25p[2]	17,500	-	-
03.04.13	03.04.18	-	17,500	17,500	-	17,500	3.25p[3]	17,500	-	-
26.02.14	26.02.16	-	-	-	54,545	54,455	1.10p	54,455		
		-	70,669	70,669	54,545	125,214		125,124	35,669	21,669

1) Vests after 31.12.13 on condition that the Director is employed at that date and that net production is greater than 100 boepd;
2) Vests after 31.12.13 on condition that the Director is employed at that date and that net production is greater than 250 boepd;
3) Vests after 30.06.14 on condition that the Director is employed at that date and that net production is greater than 400 boepd;

The options and warrants have been valued using the Black-Scholes valuation method and the assumptions used are detailed below. The expected future volatility has been determined by reference to the historical volatility:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
14-01-13	1.00p	1.00p	60%	3 years	0%	1%	0.655cents
22-03-13	1.50p	1.50p	60%	3 years	0%	1%	0.922cents
03-04-13	1.48p	1.75p	40%	5 years	0%	1%	0.694cents
03-04-13	1.48p	2.25p	40%	5 years	0%	1%	0.523cents
03-04-13	1.48p	3.25p	40%	5 years	0%	1%	0.317cents
26-02-14	0.76p	1.10p	45%	3 years	0%	1%	0.247cents

The Group recognised $204,073 (2013: $344,898) related to equity-settled share based payment transactions during the period, of which $137,462 (2013: $Nil) was charged to the convertible loan account as it related to cost of issue and $Nil (2013: $158,000) was charged to share premium and $66,611 (2013: $193,527) was expensed. See note 6 for details of options and warrants entered into after the year end.

4. Financial instruments

	6% Bank Debt $'000s	4.5% Promissory notes $'000s	6% Promissory notes $'000s	Related party Convertible loan $'000s	Convertible loan note $'000s	**Total $'000s**
Brought forward at 1 Jan 2013	-	-	476	250	-	**726**
Initial drawdown	350	49	193	-	-	**592**
Interest	3	1	29	-	-	**33**
Repayments	(10)	(50)	(648)	(250)	-	**(958)**
Carried at 30 June 2013	343	-	50	-	-	**393**
Repayments	(343)	-	(50)	-	-	**(393)**
Carried at 31 December 2013	-	-	-	-	-	**-**
Initial drawdown	-	-	-	-	1,737	**1,737**
Costs of issue - share based payment	-	-	-	-	(137)	**(137)**
Costs of issue - cash	-	-	-	-	(150)	**(150)**
Interest and fee amortisation	-	-	-	-	126	**126**
Carried at 30 June 2014	**-**	**-**	**-**	**-**	**1,576**	**1,576**

Principal terms and the debt repayment schedule of the Group's loans and borrowings are as follows for 30 June 2014, 31 December 2013 and 30 June 2013.

	Currency	Effective interest rate	Contractual rate	Year of maturity
Related party convertible	US$	0%	0%	2013
Bank loans	US$	6%	6%	2014
Promissory notes	US$	4.5%	4.5%	2016
Promissory notes	US$	6%	6%	2016
Convertible loan note	GBP	17.75%	0%	2015

On 26 February 2014 the Group entered an agreement for up to £1,500,000 ($2,473,200) (gross) zero coupon convertible bonds ('Note') with Darwin Strategic Limited ('Darwin').

The Group, at its option, has the right to redeem one or all of the outstanding bonds in cash at 105% of the par value. From August 2014 the Group is committed to redeem one unit of £50,000 ($82,440) per month until 31 August 2015 (the redemption date) and furthermore from 1 August 2014, the bonds shall be convertible into Ordinary Shares at 1.1p per share or, if lower 94% of the market share price at the relevant conversion date. In addition Darwin has been issued with warrants over 54,545,455 shares at a price of 1.1pence per share.

The warrants can be exercised over a 3 year period. The share based payment charge in connection with these warrants is $137,4620 and has been included in the cost of issue to be amortised over the life of the loan. The convertible loan proceeds were principally applied to the acquisition of our interest in Zink Ranch and accordingly the interest charge has been expensed.

5. Related party transactions

Riverbend and Horizon are associated entities each with significant shareholdings in the Group. The details of transactions with related parties are detailed in the table below:

	Services provided 6m ended 30.06.14 $'000s	Amounts due at 30.06.14 $'000s	Services provided 12m ended 31.12.13 $'000s	Amounts due at 31.12.13 $'000s	Services provided 6m ended 30.06.13 $'000s	Amounts owed at 30.06.13 $'000s
Northcote Drilling Partners	-	-	101	101	-	-
Horizon/Riverbend	117	210	50	358	-	-
	117	**210**	**151**	**459**	**-**	**250**

6. Events after the reporting date

1) Convertible loan note and warrants

On 11 July 2014 the Group agreed to drawdown a further £300,000 ($510,000) of zero coupon convertible bonds ('Note') under the agreement with Darwin Strategic Limited ('Darwin') dated 26 February 2014. The Note is repayable by 31 August 2015.

In addition Darwin has been issued with warrants over 13,636,363 shares at a price of 1.1pence per share. The warrants can be exercised over a 3 year period.

2) Shoats Creek

The Group signed on 5 June 2014 the sale and purchase agreement with Aminex PLC and Springer Oil & Gas LLC to acquire a 70% interest in the Shoats Creek Field, which was subject to Aminex shareholder approval, which was received on 22 August 2014. The acquisition will be the purchase of an oil & gas asset only and will be satisfied as follows:

- o The issue of 22,875,817 Northcote ordinary shares valued at US$350,000; and
- o A production payment of $10.00 per barrel up to a maximum of US$3.15 million.

At the same time the Group agreed to dispose of a 35% of the acquired 70% working interest to North Amercian Petroleum PLC ('NAP') for total consideration of US$175,000 in cash and an agreement for NAP to assume their share of the production payment. Post completion of these transactions the Groups interest in Shoats Creek is a 35% Working interest and Northcotes share of the production payment will be up to a maximum of $1.575million.

3) Alta Loma

The Group announced on 1 September that it had entered into a sale and purchase agreement with Springer Oil & Gas LLC ('Springer') for the acquisition of 37.5% working interest (28.125% net revenue interest) from Springer for the following consideration:

- o a capital expenditure credit of $50,000 ; and
- o contingent consideration of $100,000 payable on the successful drilling of a new well before 17 July 2015 with initial production in excess of 300 BOEPD

4) Mexico

On 31 July 2014 Northcote entered into a Participation Agreement with AIM listed MX Oil PLC ('MXO'). Northcote will, for an initial period of three years, continue to provide advice, introductions and support to MXO towards the execution of its stated business plan.

In consideration of the services provided, Northcote will be compensated and have the right to participate in potential business activities in Mexico with MXO as follows:

- For a period of ten years Northcote shall have the right to participate with MXO, on an unpromoted basis, as a partner in the exploration, drilling, development or production of any of its oil and gas projects in Mexico. Pursuant to this right, Northcote shall be permitted to participate at a level of up to 20% of the interest of MXO (prior to giving effect to Northcote's election to participate) in any project for the drilling, exploration, development or production of oil and gas in Mexico.
- Northcote shall be awarded, upon having available share authorities, warrants exercisable over 30,000,000 ordinary shares of MXO at an exercise price of GBP 0.02 per share. The warrants vest on the date that MXO receives or enters into any agreement allowing it or its affiliates to explore for, develop or produce oil and gas in Mexico ('the Award Date'). The warrants shall have a term of five years from the Award Date and provide upside for Northcote shareholders subject to successful value creation by MXO;
- Northcote will be awarded, subject to shareholder approval, further warrants over 12,000,000 ordinary shares of MXO at an exercise price of GBP 0.03 per share. These warrants will vest in three equal tranches as follows:
    - o 4,000,000 once the 60 day average mid-market price of MXO trades at 0.06 GBP per share;
    - o 4,000,000 once the 60 day average mid-market price of MXO trades at 0.12 GBP per share;
    - o 4,000,000 once the 60 day average mid-market price of MXO trades at 0.18 GBP per share
- a cash fee of US$100,000 to be paid to Northcote; and
- Northcote will have the right to appoint a non-Executive Director to the MXO board to represent Northcote's interests and serve as a liaison between Northcote and MXO. The appointment will be announced in due course.

5) Employee options

Since the year end the Group has issued options over 5,521,473 ordinary shares at a price of 1 pence per share to a number of employees. The options will vest in three equal tranches on the first, second and third anniversaries of grant subject to the employees remaining in employment.

ENDS

END

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